

**MINUTES OF THE  
JOINT EXECUTIVE APPROPRIATIONS COMMITTEE**  
Tuesday, September 20, 2011 - 1:00 p.m. - Room 445 State Capitol

**Members Present:**

Sen. Lyle W. Hillyard, Co-Chair  
Rep. Melvin R. Brown, Co-Chair  
Sen. Kevin T. Van Tassell, Vice Chair  
Rep. John Dougall, Vice Chair  
Sen. Patricia W. Jones  
Sen. Peter C. Knudson  
Sen. Benjamin M. McAdams  
Sen. Karen W. Morgan  
Sen. Wayne L. Niederhauser  
Sen. Ross I. Romero  
Sen. Michael G. Waddoups, President  
Rep. Brad L. Dee  
Rep. Gregory H. Hughes

Rep. David Litvack  
Rep. Brian S. King  
Rep. Rebecca D. Lockhart, Speaker  
Rep. Ronda Rudd Menlove  
Rep. Christine F. Watkins

**Members Excused:**

Sen. Scott K. Jenkins  
Rep. Jennifer M. Seelig

**Staff Present:**

Jonathan Ball, Legislative Fiscal Analyst  
Steven Allred, Deputy Director  
Greta Rodebush, Legislative Secretary

**Note:** A list of others present, a copy of related materials, and an audio recording of the meeting can be found at [www.le.utah.gov](http://www.le.utah.gov).

**1. Call to Order/Approval of Minutes**

Co-Chair Brown called the meeting to order at 1:25 p.m.

**MOTION:** Co-Chair Hillyard moved to approve the minutes of the July 19, 2011 meeting. The motion passed unanimously with Sen. Niederhauser, Sen. Morgan, Rep. Hughes, and Rep. King absent for the vote.

**2. Federal/Non-Federal Grants Reports**

Co-Chair Brown informed the committee that Becky Bruso would be leaving the Governor's Office of Planning and Budget, and that today's meeting would be her last.

Becky Bruso, Governor's Office of Planning and Budget (GOPB), discussed a power point presentation entitled, "Overview of Grants.Utah.Gov and Grant Definitions," and dated September 20, 2011.

Ms. Bruso explained that the new website, [www.grants.utah.gov](http://www.grants.utah.gov), is a management tool that will help simplify and streamline the grant review and application process. She stated that the website requires a log in account that her office can assist legislators in setting up. Ms. Bruso's presentation also included an explanation of grant definitions, state matching requirements, and a demonstration on how programs use a state match to draw down federal funds.

Ms. Bruso presented the Federal/Non-Federal Grants Reports for the month of September 2011. There was one new federal grant and five reapplications or continuations of existing federal grants requiring legislative action. She noted that the Governor's Office approved eleven new federal grants and four reapplications or continuations of existing federal grants.

Ms. Bruso pointed out that the Legislature had already approved Item 5, Department of Human Services, Utah Access to Recovery grant program during the 2011 General Session; therefore, the program did not need to be re-approved.

Co-Chair Hillyard expressed his appreciation to Ms. Bruso for her work on the Federal/Non-Federal Grants Reports. He asked GOPB and LFA to keep in mind, as they are preparing their respective budgets for the next fiscal year, that federal budget cuts will impact our state.

**MOTION:** Co-Chair Hillyard moved to recommend acceptance of the federal grants outlined on page 1 of the handout entitled, "Federal/Non-Federal Grants Review and Approval" under the heading, "Grants Requiring EAC Review and Recommendation" and dated today, September 20, 2011 with the exception of Item 5. The motion passed with Speaker Lockhart and Rep. Dougall voting in opposition. Sen. Romero, Rep. King and Rep. Litvack were absent for the vote.

### **3. FY 2011 Preliminary Surplus, Closing Nonlapsing Balances, and Restricted Account Balances**

Rich Amon, LFA, introduced the three documents behind Tab 3: "State of Utah Financial Highlights," prepared by the Division of Finance, and two Issue Briefs, "FY 2011 Preliminary Lapsing and Nonlapsing Balances," and "FY 2011 Preliminary Fund Balances," prepared by LFA.

John Reidhead, Director, Division of Finance, presented the report, "State of Utah Financial Highlights." He was assisted by Marcie Handy, Assistant Comptroller, Division of Finance. For the fiscal year ending June 30, 2011, the Division of Finance estimated an available balance of \$7,023,000 in the General Fund and \$52,950,000 in the Education Fund. He explained that the budgeted reserves, as appropriated for FY 2012, had already been set aside.

Mr. Reidhead explained that the General Fund balance will be lower than expected due to transfers to the Rainy Day Fund and the Disaster Recovery Restricted Account, which the division is required to make at the end of the year. Transfers to the Education Rainy Day Fund may be impacted by the \$50 million in Federal Edu Jobs money that was used to balance the budget in FY 2011. Mr. Reidhead stated that the Edu Jobs issue is still subject to a state audit which is ongoing through the end of October.

Rich Amon reported on the Issue Brief, "FY 2011 Preliminary Lapsing and Nonlapsing Balances." As of September 13, 2011, the Division of Finance calculates that state agencies will lapse \$7.5 million back to the General and Education funds, and \$36.5 million back to other funds after FY 2011. Mr. Amon indicated that state agencies, public education, and institutions of higher education have closed FY 2011 with \$304 million of unexpended appropriations that will carry forward into FY 2012.

Mr. Amon discussed the Issue Brief, "FY 2011 Preliminary Fund Balances." He reported on the state's preliminary fund balances, revenues, and expenditures in four fund categories. General and Education restricted accounts closed FY 2011 with \$391 million in fund balances.

### **4. Water Issues Task Force Report**

Rep. Patrick Painter reported on the findings of the Water Issues Task Force, which was created by H.B. 428, 2011 General Session. The task force examined future state water needs financing options. The task

force will present a final report, including any proposed legislation, to the Natural Resources, Agriculture, and Environment Interim Committee before November 30, 2011.

Nathan Brady, Policy Analyst, LRGC, distributed a handout of Rep. Painter's power point presentation, "Statewide Water Needs," dated September 20, 2011.

Rep. Painter highlighted statewide water supply and use, population estimates by multi-county district, and water districts' estimated future needs.

Rep. Painter discussed a number of financing options for the Lake Powell Pipeline project. He suggested using sales tax to fund the design phase (\$27.5 million in 2014 and 2015) and bonding to finance the construction phase (\$370 million in each of 2016, 2017, and 2018). Other financing options included a public/private partnership, a statewide water district, and water usage fees. Rep. Painter indicated that the annual debt service on the Lake Powell Pipeline will be between \$90 and \$100 million. The debt will be paid back through property taxes, impact fees, and water rates.

Rep. Painter pointed out that the Lake Powell Pipeline will capture 80,000 acre-feet/year of Colorado River water exiting Utah.

Committee members asked questions regarding the recovery of developable water exiting Utah, voter input on water financing, water conservation and infrastructure, bond repayment, cost accounting, and increases to water user fees.

Dennis Strong, Director, Utah Division of Water Resources, stated that of the 470,000 acre-feet/year of developable water exiting Utah, the Lake Powell Pipeline project will recover 80,000 acre-feet/year, and the Bear River project will capture 200,000 acre-feet/year.

Rep. Painter stated the task force has not yet determined if water financing will be placed on the ballot as an opinion question or a binding vote. The task force has two more meetings and expires on November 30, 2011.

Sen. Hillyard referenced the Central Utah Project (CUP) and the obstacles that had to be overcome. He said that it would be helpful to have a history of the Central Utah Project (CUP) to use as a model for other projects going forward. He added that the statewide ballot should be broad enough to include projects in other parts of the state.

In response to President Waddoups' request for an accounting on revolving loan funds, Jonathan Ball, LFA, indicated that the Issue Brief, "FY 2011 Preliminary Fund Balances," previously presented by Rich Amon, showed an accounting of Enterprise Funds which includes all of the water loan funds.

Ron Thompson, General Manager, Washington County Conservancy District, stated that the Lake Powell Pipeline would increase water user fees by two dollars per thousand gallons of water. He felt it was critical to replace 100-year-old infrastructure to be able to handle double capacity.

## **5. Introduction to Medicaid Consensus Forecasting**

Russell Frandsen, LFA, presented the Issue Brief, "Medicaid Consensus Forecasting."

Mr. Frandsen stated that the error rate for Medicaid cost estimating has ranged from 0.1 percent error or \$300,000 leftover General Fund in FY 2004 to about 8 percent or \$18 million leftover in FY 2010. LFA staff is working on a consensus forecasting model with the Governor's Office of Planning and Budget and the Department of Health to try and improve the accuracy of future forecasts.

## **6. Status Report on Medicaid Management Information System (MMIS)**

Michael Hales, Deputy Director, Department of Health (DOH), presented a status report on the Medicaid Management Information System (MMIS) for the quarter ending June 30, 2011.

The DOH submitted a written quarterly report to the Office of the Legislative Fiscal Analyst in a letter dated June 28, 2011.

Mr. Hales highlighted the Pharmacy Point of Sale (POS) and Drug Rebate Management System (DRMS) component. The DOH has been working with Goold Health Systems (GHS) to integrate this system enhancement to MMIS by January 1, 2012 when federal HIPAA standards go into effect. Mr. Hales indicated that the current claims payment system for pharmacy will be shut down for two days in the last week of December. DOH will work closely with the pharmacy association, the provider community, and clients to make sure prescriptions can be filled prior to those dates.

Mr. Hales noted that the Department is preparing a Request for Proposal (RFP) for the core system replacement and an RFP for an Independent Validation and Verification (IV & V) contractor.

## **7. Department of Insurance Report on Regulation of Health Plans under Affordable Care Act**

Neal T. Gooch, Commissioner, Insurance Department, addressed the committee.

The Insurance Department submitted a written letter dated September 7, 2011 that included a chart summarizing department activities related to the Affordable Care Act (ACA).

Mr. Gooch stated that insurance companies will have to comply with the ACA until such time as its constitutionality is determined. In the meantime, the Department of Insurance will continue to regulate Utah insurance companies as authorized under the McCarran-Ferguson Act.

Co-Chair Hillyard asked Mr. Gooch to comment on the federal district court ruling in Florida which found the mandatory requirements of the ACA unconstitutional. He noted that the 11th Circuit Court of Appeals upheld this ruling. Utah is a party to the litigation in Florida.

Mr. Gooch responded that Utah is moving forward with caution. He cited one example where the U.S. Department of Health and Human Services took over rate reviews when a state failed to meet the ACA rate review requirements. Mr. Gooch stated that Utah has to be prepared one way or the other, depending on what the Supreme Court rules.

## **8. Other Business**

Co-Chair Brown called attention to the written report, "Annual Financial Report for S.B. 159 (2005 General Legislative Session): 'Assessment Offset for Donations Promoting Occupational Health and Safety'", behind Tab 8.

Co-Chair Brown announced Zackery King as the newest member of the LFA office. Mr. King will be staffing two appropriations subcommittees, Business, Economic Development and Labor, and Executive Offices and Criminal Justice.

Co-Chair Brown stated that without objection, Rep. Seelig and Sen. Jenkins will be excused from today's meeting.

**MOTION:** Co-Chair Hillyard moved to adjourn. The motion passed unanimously with Speaker Lockhart, Rep. Dougall, and Rep. Dee absent for the vote.

Co-Chair Brown adjourned the meeting at 2:56 p.m.